



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
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May 6, 2005

TO: State Board of Education

FROM: Jeremy M. Hughes, Ph.D., Chairman 

SUBJECT: Discussion Regarding School Districts in Deficit

At the March 2005 State Board of Education meeting, information on deficit districts was presented and questions were raised concerning:

- A) The criteria used by the Detroit Public Schools (DPS) to determine school closures,
- B) Activities related to deficit district situations in Gogebic-Ontonagon Intermediate School District (ISD), and
- C) Procedures for Dealing with Districts Encountering a Deficit Fund Balance.

Attached please find information on these three issues.

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Attachment A

Detroit Public School District Criteria for School Building Closures (Taken from FY2004 Deficit Elimination Plan)

- Age of building
- Safety and condition of building (critical structures including windows, roof, plumbing, lighting, etc.), anticipated future repair costs
- Terms and conditions of building lease (if applicable)
- Handicap accessibility, heating, ventilation, and structural concerns
- Monetary value of recent improvements to the school
- Number of students attending the school
- Number of seats available for students
- Past enrollment trends over a five-year period (gains or losses and total population)
- Projected enrollment trends over the next five-year period
- Student achievement as measured by Adequate Yearly Progress (AYP) status (met or not met)
- Operating costs compared to district's average for schools of similar types
- Safety to and from school

Transportation requirements

Overcrowded conditions

Conference Call With Gogebic Ontonagon ISD Superintendents

A conference call about deficit districts in Gogebic Ontonagon Intermediate School District was held on April 8, 2005 with Elaine Madigan and Glenda Rader from MDE, Al Gaiss, Superintendent at Bessemer; Russ Bailey, Superintendent at Ewen Trout Creek; Jim Rayner, Superintendent from Ironwood; and Catherine Shamion, Superintendent at White Pine.

Issues discussed were:

- Declining Enrollment
- Early Submission of Audits
- Problem with Employee Negotiations
- Collaboration between districts
- Annexation and Consolidation of Districts

Next Steps:

Look into options for counting pupils in non-traditional classroom settings

Look into incentives for districts to consolidate especially as they relate to assumption of debt

Pursue additional collaboration options

Procedures for Dealing with Districts Encountering a Deficit Fund Balance

A district is determined to be in deficit when it has a negative general fund balance on June 30th of any given year. To be in this condition, the district would have current year expenditures amounting to more than the sum of current year revenues plus any fund equity reserve from a previous year.

Following are the requirements of all deficit districts:

- Submission of a Deficit Elimination Plan showing the steps in both narrative and number format that the district will follow to return to a positive fund balance within two (2) years
- Submission of a local school board resolution document showing that they have approved a budget that is in line with the Deficit Elimination Plan
- Submission of Monthly Budgetary Control Reports showing that the district is adhering to the MDE approved Deficit Elimination Plan
- Inform MDE of any financial situations that may change the Deficit Elimination Plan

Districts that are determined to be in a chronic deficit situation are also required to:

- Submit a copy of the budget for the next fiscal year as soon as it is adopted by the local board
- Submit copies of the audited financial statements earlier than other districts
- Submit copies of documents showing the fall pupil counts earlier than other districts
- Submit a copy of an updated Deficit Elimination Plan that aligns with the previous year audited financial statements and the new fiscal year budget